

Preserving the Past...

Envisioning the Future



Long-Range Forecast

Overview
Forecast Methodology
Forecast Assumptions
Selected Funds
Financial Action Plan



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**OVERVIEW****Introduction**

The Long-Range financial capacity of the County is a vital component of the financial management strategy. The Budget Office of the County gathers information from various sources to provide a five-year perspective on the financial condition of each of the County's budgeted funds. As a planning tool for short-term decisions, this long-range forecast gives decision-makers insight into the policy decisions made in the current budget as well as ramifications well into the future.

Analysis of Financial Indicators

As presented in the *Financial Indicators* section of this document, the Budget staff regularly reviews and takes into consideration several major economic trends when preparing long-range forecasts. These include trends in per capita revenues and expenditures; rates of change in property tax revenues; and the ratio of capital outlay and debt service as a percentage of operating expenses.

Framework

Department Directors were asked to present budget requests for two additional years, Fiscal Years 2003 and 2004 which would project costs associated with providing adequate services to our community. In addition, as discussed elsewhere in this document, a Five-Year Capital Improvement Program was presented to the Commissioners.

Also, the Budget Office has established financial models that examine each of the County's funds along with its underlying revenue and expenditure structure for the Fiscal Years 2003 through 2005. Because of a wide variety of variables in funding sources and expenditure choices from year to year, we feel that projecting two years beyond our biennial budget process provides Commissioners and citizens a fairly accurate long-range vision. In addition, since the County currently maintains 44 budgeted funds, we have selected the four major funds, which warrant close monitoring. The funds reviewed in this section are those of major concern, as reflected in the County Manager's Budget Message, and have significant effect on the citizen's tax dollars:

- ? General Fund
- ? Transportation Trust Fund
- ? Sales Tax Revenue Fund
- ? Landfill Enterprise Fund

A detailed analysis of each of the County's funds is available in the Budget Office upon request.

Major Findings

Highlights of the major findings and conclusions from the long-range financial study are given below:

- A) The County continues to have strong fund balances and reserves through FY 2002. However, with revenue growth remaining relatively flat and as the growing population requires additional services to meet those needs, General Fund reserves could be significantly affected by Fiscal Year 2005.

Staff will propose a combination of funding, to include new revenue sources and increasing current charges.

- B) Transportation Trust Fund reserves are being rapidly depleted, limiting capital flexibility. To keep pace with demands of surfacing and maintaining our roadways, the five-year capital plan for road improvements shows a budgeted shortfall of over \$5 million in FY 2001. A revenue plan to address funding for transportation needs was presented to the Commissioners; as a result, \$2 million of current Infrastructure Sales Tax dollars were committed to paving roads and, in the event of the tax renewal, over \$3 million each year will be spent subject to Commission approval.
- C) The Infrastructure Sales Tax revenues will be available through December 31, 2002, and sufficient dollars are available for debt repayment. Funding for major capital improvements must be addressed: options include extending the tax or finding other sources. *[Subsequent Event: Voters approved the extension of the extra penny sales tax in the November election.]*
- D) An increase for debt service in the Waste-To-Energy Facility contract will cause annual payments to the contractor to continually increase each budget year. Commissioners have prioritized this concern and are looking at several alternatives, including litigation and/or a County buyout option for the facility.

**FORECAST METHODOLOGY**

Forecasting, as used in this report, refers to the estimating of the future values of revenues and expenditures. It provides an estimate of how much revenue will be available and the resources required to meet current service levels and programs over the forecast period, along with an understanding of how the total financial program will be affected by the demographic and economic factors driving these forecasts. The value of forecasts is in estimating whether, given assumptions about local financial policies and economic trends, the County will have sufficient resources to meet the resource requirements of ongoing, planned, or mandated programs. Forecast models have the added value of providing a planning tool for capital project funding by providing estimates of surpluses for pay-as-you-go financing of capital projects and/or whether bonded indebtedness will be required for capital funding.

Prior to the development of models, information was solicited for each revenue and expenditure category to assess each on the basis of authorization, underlying assumptions, critical factors affecting the fund, policy, and expectations for the following year. This information base served as the foundation for the models developed.

There are numerous forecast procedures that are invoked to forecast revenues and expenditures, including moving averages, time series, statistical analysis, and econometric analysis. The choice of a specific procedure had to fit the purpose of the forecast, the forecast period, the quality and nature of available data, and staff resources.

Each revenue and expenditure forecast was expressed as a function of consensus econometric variables provided by Fishkind and Associates, Inc., the Bureau of Economic and Business Research at the University of Florida, the State of Florida Department of Revenue, and the Lake County Growth Management Department. In some cases (salaries and wages), the amount was estimated based on current year policies. After assigning driving factors for each revenue and major expenditure category, projected values were calculated as a function of rate of change for each of the four years by applying quantitative models to the current year estimates.

We have chosen to present a five-year forecast for the General Fund only. The reader will note, in the following sections, the uncertainty of the revenue and expenditure trends in the other major funds beyond Fiscal Year 2003.

FORECAST ASSUMPTIONS**Major Revenue Assumptions***✍ Retail Sales*

Retail sales are assumed to increase by about 5% annually over the next three years. Trends in retail sales provide input for budget analysts when forecasting State Sales Tax revenue sharing as well as Infrastructure Sales Tax revenues.

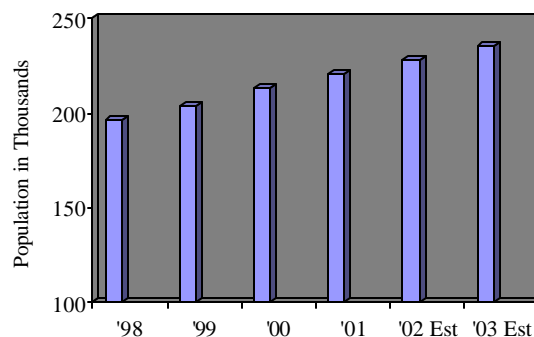
✍ State Policy

Our projections are based on the fact that the State Legislature will not change the current distribution structure for sales tax, revenue sharing, and gasoline tax.

Of significant concern is the unknown increase in State unfunded mandates and their impact primarily on the General Fund and Landfill Enterprise operations. We have already seen these costs rise dramatically as a result of compliance requirements related to such governing agencies as the Environmental Protection Agency, as well as State budget cost-shifting to the local level.

✍ Population

Population in Lake County is projected to grow from 196,073 in 1998 to approximately 234,900 in 2003, a 20% increase over the six-year period. The greatest surge in growth is occurring in the southern part of the County, which is geographically located near metropolitan Orlando.

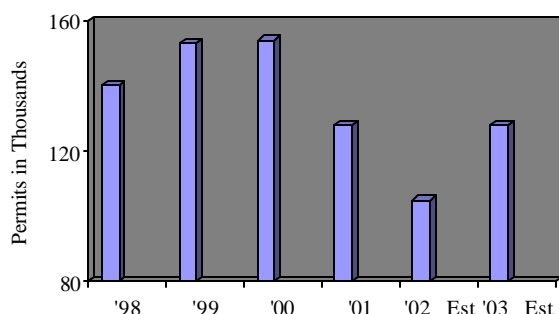
Lake County Population Growth



Development

Total housing starts are expected to dip slightly in FY 2002 as the economy rebounds from a slow summer and recent national events. Commercial development is expected to remain relatively flat.

Lake County Housing Starts



Interest

Interest revenue is expected to decrease slightly over the next few years based upon a general slowdown and weakening of the economy, combined with recent cuts in the Prime Rate. However, short-term interest rates are expected to remain at the current level of about 3%. This assumption is based upon the prediction that the economy will slowly rebound from a slow year and inflation will remain around the 2% level. The majority of the County's excess operating funds is invested in short-term securities with maturities ranging from 1 to 12 months. This practice allows us to meet our investment objectives of safety, liquidity and yield.

During the past three years, our portfolio has included investments in the 1- to 2-year range, averaging approximately 4.5%, in order to hedge against a decrease in short-term rates.

Unemployment Rate

Lake County's unemployment rate dipped to a low of 2.7% in Fiscal Years 1999 and 2000, but projections are that these rates may reach as high as 10.6% by Fiscal Year 2003. This contrasts significantly with the State's projected rate of 6.8%.

The impact on the County's budget for indigent health care and other assistance is expected to climb.

Major Expenditure Assumptions

Salaries and Wages

On the expenditure side, it is assumed that salaries and wages will increase by 4.5% annually through Fiscal Year 2002. Any planning for the next several years must address the issue of compensation because of its significant expenditure impact. For example, every one percent change in compensation has in excess of a \$400,000 impact on total expenditures. It is obvious that whatever policy decision is made with regard to compensation, scenarios will have a profound effect on future decision-making options.

Fringe Benefits

One of the most closely watched expenditure categories for the County has been in fringe benefit costs driven largely by increases in health care expenses. The County continues to be self-insured for FY 2002. We are anticipating that the health care/medical costs will continue to increase by 10% to 20%; therefore, a core team of staff meets monthly to review claims and remains pro-active in managing cost containment. Retirement costs will increase at a rate commensurate with compensation increases, plus any changes in the contribution rates for the various retirement systems.

Inflation

Consumer prices have been rising at an annual rate of 2.8 percent, compared with a 1.6 percent increase in 1998. The higher rate is attributed to rising energy costs. Not counting the volatile food and energy sectors, the "core" rate of inflation rose at a much more moderate 1.9 percent since January.

Operating Budget Impact from Capital Improvements Program

An important aspect of the County's Capital Improvement Program is the impact on the budget of ongoing operating costs of new parks, libraries, community centers, and other major capital initiatives. These costs are generally incurred in the General Fund.

New Debt

Lake County anticipates issuing no new debt structure through Fiscal Year 2005.



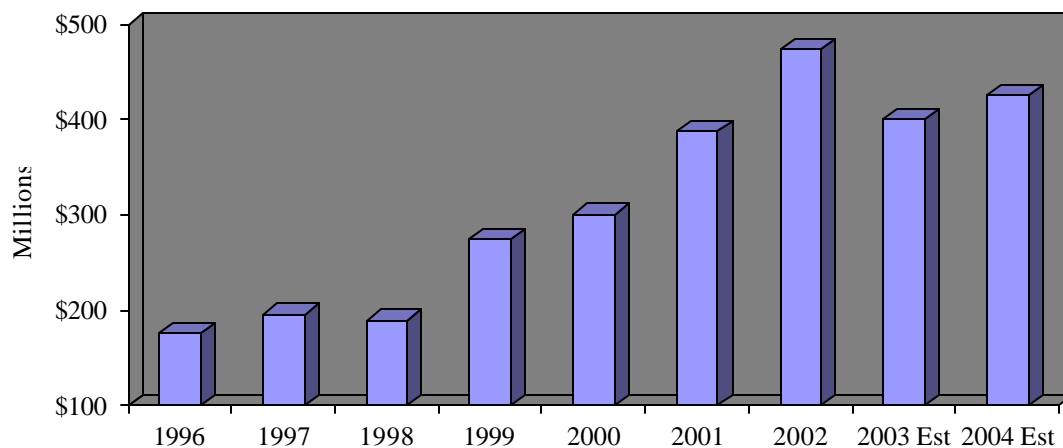
Assessed Valuation

For the past six years, the increase in Gross Taxable Value of all property, countywide, has fluctuated between a 10% high in 1999 and a 4.04% low in 1997.

With housing starts estimated to dip slightly, gross taxable value increases should remain in the 6% to 7% range.

The following is a graph of the assessed taxable value associated with “new growth” in Lake County.

**Lake County Florida
Assessed Taxable Value of New Growth**





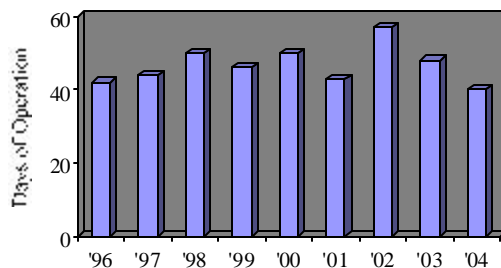
GENERAL FUND

OUTLOOK

Trends and Forecast

Over the past five years, Lake County has experienced a healthy economy and strong population growth. However, with rapid growth comes the need for expanded services such as law enforcement, libraries, animal control, parks, and facilities maintenance, all of which are funded with General Fund dollars. In response to this situation, the Board of County Commissioners increased the property tax rate in Fiscal Year 2000 by about 8%. That increase, combined with a 10% increase in assessed taxable values for the past two years, has enabled the County to increase reserves from 42 days of operating reserves in FY 1997 to the recommended 57 days (two months is the government benchmark standard) in FY 2002.

**General Fund Reserves
Available for Emergencies**



(Includes Designated and Undesignated Reserves)

In anticipation of a slowing economy and fewer housing starts in the immediate future, decisions were made to reduce approximately \$2 million from the requested General Fund budget. This reduction helped reduce the anticipated net revenue loss at the end of the fiscal year.

Revenue and Expenditure Assumptions

Property Taxes comprise almost 60% of the General Fund revenue sources. This forecast model assumes a steady growth of 7% to 8% in the assessed taxable value of all properties and no change in the property tax rate. Lake's property tax rate is currently the 10th lowest of all counties in the State (58th out of 67 counties).

State Sales Taxes and Revenue Sharing make up nearly 20% of the budget. In previous years, the County's sales tax receipts averaged 7% to 9% annually. With the slowdown in the economy, State analysts are

projecting a 4% to 5% increase locally. Until FY 2000, Revenue Sharing consisted primarily of intangible taxes. The distribution formula is now sales tax-based, and the County has seen a decline of \$1 million over the past two years in this source.

The largest expense in the General Fund, 64% in FY '02, is the transfer to other funds and Constitutional Offices. The transfer to the Sheriff's Office alone is \$33.6 million, or 45% of the total current year budget and increases annually between 6% and 8%.

CRITICAL ISSUES

State Mandates

A significant part of the General Fund budget is comprised of expenditures mandated by State Legislature (Article V costs), much of which is funded by local dollars. Examples include support for the Public Defender, State Attorney, Conflict Attorneys, and other court costs related to civil and criminal disputes. Since 1994, expenditures have averaged \$1.4 million annually.

In November 1999, voters in the State of Florida passed a constitutional revision for these costs providing for the allocation of state courts systems funding among state, counties, and users of courts. Because of a lengthy implementation period, the effect on the General Fund for Lake County will not be known for at least two years.

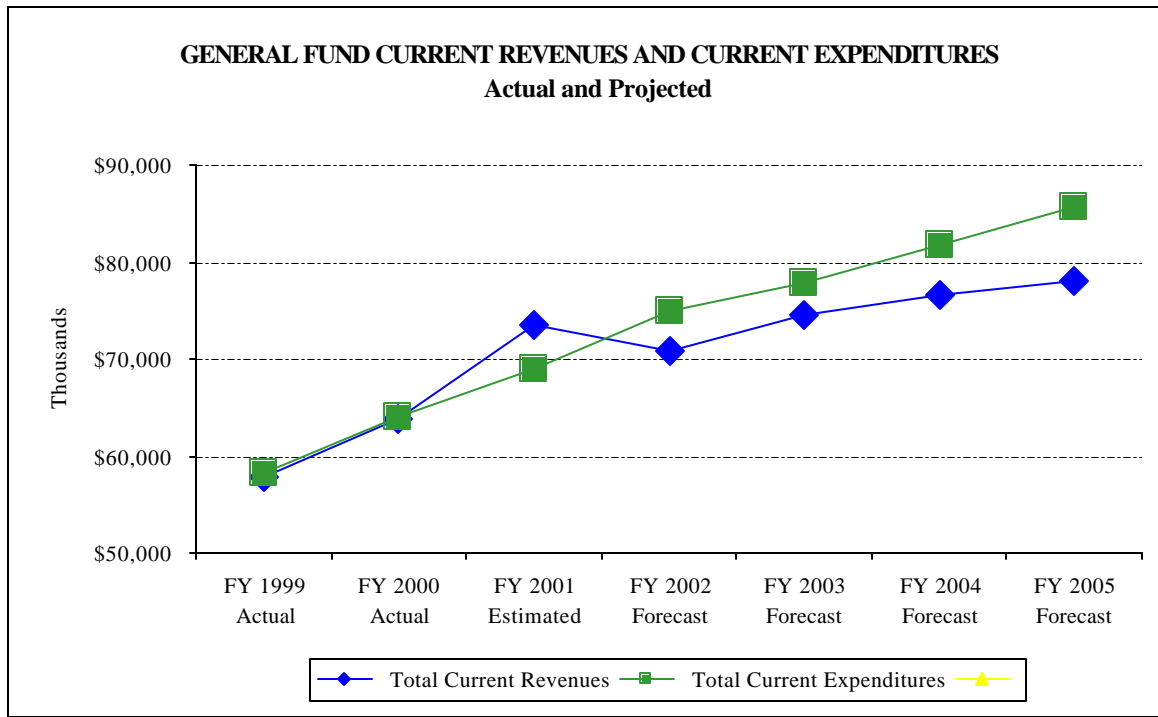
Another major issue is the effect of recent cost-cutting measures at the State level and the effect on our local economy. One significant measure currently before the legislation would require the local level to fund certain indigent health costs currently in the State's budget. This could affect Lake's budget by \$3.2 million. Close monitoring of the Legislature's actions will be required.

Conclusion

Our forecast is for the net operating surpluses to fall considerably over the forecast period, and possibly be in the negative. The reserves are sufficient to sustain these decreases for a short period of time; however, the County's policy is to refrain from funding ongoing operating expenses from reserves. Given the assumptions relative to potential State cuts combined with a slowing economy, Commissioners may be faced with difficult decisions on whether to decrease or eliminate services, or increase property taxes.



GENERAL FUND



	Actual FY 1999	Actual FY 2000	Estimated FY 2001	Forecast FY 2002	Forecast FY 2003	Forecast FY 2004	Forecast FY 2005
Revenues (\$000)							
Taxes	\$ 29,810	\$ 32,630	\$38,325	\$ 42,181	\$45,949	\$ 47,199	\$ 47,978
Licenses and Permits*	2,862	3,600	4,427	426	441	454	468
Intergovernmental Revenue	12,925	13,372	13,053	13,650	14,348	15,065	15,819
Charges for Services	3,711	4,004	5,818	5,226	5,254	5,264	5,285
Fines and Forfeits	1,412	1,590	2,031	1,375	1,375	1,402	1,422
Miscellaneous Revenues	1,600	1,720	2,363	1,550	1,552	1,590	1,602
Other Sources, Incl. Trnsfrs	5,608	6,997	7,507	6,595	5,650	5,650	5,650
Total Current Revenues	57,928	63,913	73,524	71,003	74,569	76,625	78,224
Expenditures (\$000)							
Personal Services	10,339	11,542	12,640	11,338	11,725	12,194	12,682
Operating Expenses	8,129	10,042	10,215	11,767	12,256	12,624	12,876
Capital Outlay	713	885	1,096	910	656	740	710
Debt Service	42	11	6	-	-	-	-
Grants and Other Aids	1,664	2,022	1,777	3,154	2,185	2,185	2,185
Other Uses, Incl. Transfers	37,292	39,462	43,233	47,854	50,956	54,013	57,254
Total Current Expenditures	58,179	63,964	68,967	75,023	77,778	81,756	85,707
Net Operating Surplus/ (Deficit)	\$ (251)	\$ (51)	\$ 4,557	\$ (4,020)	\$ (3,209)	\$ (5,131)	\$ (7,483)

* The Building Services Division of the Department of Growth Management was budgeted in the General Fund through FY 2001. Beginning FY 2002, those services are in a Special Revenue Fund.

**PUBLIC WORKS FUNDS****OUTLOOK**

Primary funding sources for the Public Works Department include gas tax, road impact fees, and stormwater assessments. Depending upon the outcome of the vote to retain the 1-cent sales tax, this may become a new revenue source for road projects. Presently, 90% of the budget for road resurfacing and striping comes from gas tax.

CRITICAL ISSUES**Growth Factor**

With 1,200 miles of road in the County Maintenance System, just maintaining the infrastructure is an ominous task that places a huge demand on the very limited revenue available. The growth the County has experienced places a heavy demand on the current infrastructure. With the current number of road miles unchanged, increased capacity problems will persist. To address the maintenance aspects of this issue, programs will continue over the next 5-10 years to resurface existing roads as well as paving clay roads. The use of the revenue from the 1-cent sales tax is crucial in keeping ahead of infrastructure demands.

During this FY 02 budget year, Commissioners voted to allow \$2 million of the remaining funds from the current penny tax to be spent on road resurfacing. Priorities have been set and approved.

Engineering & Design

In addition to maintaining and making improvements to the existing road system, new roads will be designed and built to address the growth and capacity issues. Although much of the design is currently being done in-house, there will be an increased emphasis on contracting out some of the design workload as well as the inspection portion of the projects. In addition to the design and construction of new roads, improvements will be needed to address signals and pavement markings.

Multi-Modal Transportation

As increased growth puts demands on the existing systems, alternate modes of transportation will need to be evaluated. This includes the thorough evaluation of the public transportation system as well as rail and other alternatives. Sidewalks and bike paths will be crucial to maintaining the safety of our road system by providing safe alternatives to pedestrians and cyclists.

Quality of Life/Health and Safety

The increasing population also puts additional demands on our lakes, improved drainage systems, stormwater

retrofitting, and other rehabilitative measures will be needed. Additionally, demands will be placed on our management system for nuisance insects and aquatic plants. Containing the West Nile Virus, and ensuring our mitigation strategies to not harm the environment but successfully address the mosquito and aquatic plant problems, will continue to challenge limited resources.

The following graphic, presented at a recent symposium on Lake County traffic conditions, illustrates these issues.

**Vehicle Miles of Travel
(VMT) Per Day**

- ✍ Increase in travel
From 424,900 VMT in 1995
To 773,800 VMT in 2020
- ✍ Most significant congestion
US 27/441 in Leesburg
US 441 in Golden Triangle
US 27/State Road 50 near Clermont

Lake County's 1,300+ lakes, as well as other environmental constraints, limit network options.

Road Impact Fee Fund

The County also levies an impact fee on land development in Lake County for providing new roads necessitated by new development. The County is divided into six Road Benefit Districts, and revenues are used exclusively for road improvements within the District from which the funds are collected. Road Impact Fees are recorded in a separate fund.

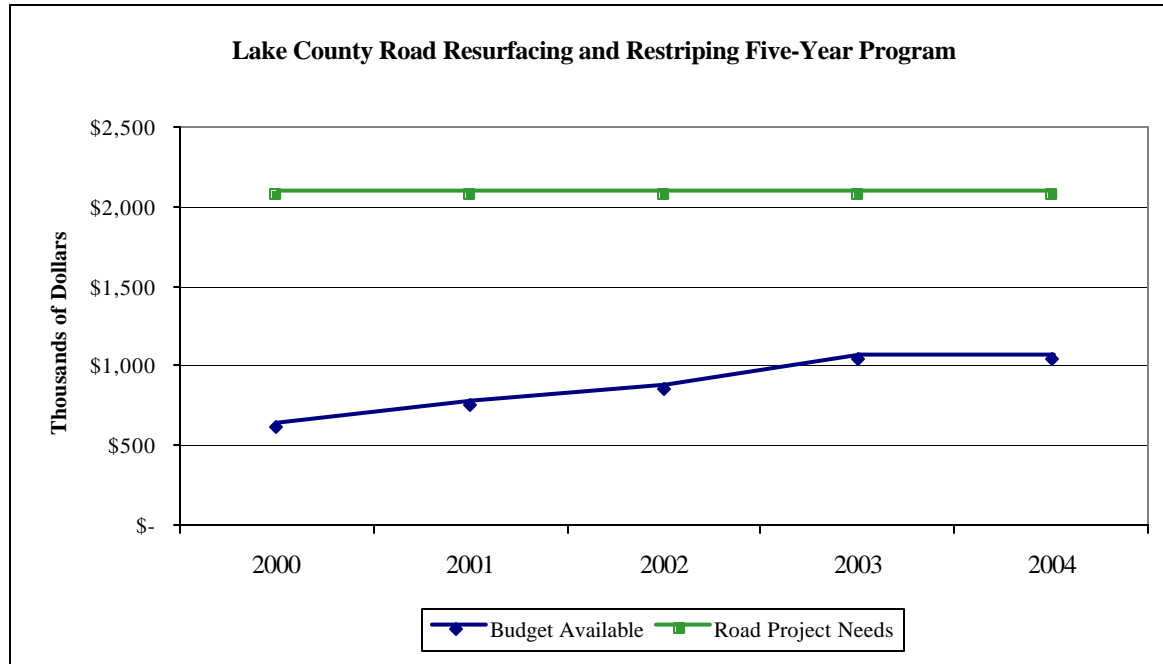
The following table shows a history of collections by benefit district.

**Collections by Benefit District
Four-Year History
(In thousands)**

Benefit District	2000 Actual	2001 Budget	2002 Adopted	2003 Approved
1	\$ 96	\$ 135	\$ 141	\$ 162
2	1,511	1,000	898	1,128
3	1,225	1,463	1,790	2,032
4	370	286	418	480
5	4,382	4,061	5,389	6,190
6	1,126	766	1,864	2,122
Totals	\$ 8,710	\$ 7,711	\$ 10,500	\$ 12,114



COUNTY TRANSPORTATION TRUST FUND



COUNTY TRANSPORTATION TRUST FUND BUDGET

(Does not include Impact Fees)

	Actual 2000	Amended 2001	Adopted 2002	Approved 2003	Projected 2004
Revenues (\$000)					
Taxes	\$ 5,232	\$ 5,385	\$ 5,351	\$ 5,420	\$ 5,637
Intergovernmental Revenue*	3,775	4,746	4,745	4,683	4,708
Charges for Services	241	249	283	305	310
Other Revenues, incl. Transfers	941	517	482	1,212	1,212
Beginning Fund Balance	N/A	4,208	3,057	2,000	991
Total Revenues	10,189	15,105	13,918	13,620	12,858
Expenditures (\$000)					
Personal Services	4,150	4,677	4,909	5,151	5,408.55
Operating Expenses	1,509	2,302	2,789	2,805	2,842
Capital Outlay, (Excluding Roads)	1,526	5,332	3,451	2,666	2,770
<i>Roads Projects and Restriping</i>	612	751	850	1,040	1,040
Grants and Aids	612	624	557	560	575
Transfers Out	1,166	865	890	999	1,010
Total Expenditures	9,575	14,551	13,446	13,221	13,646
Revenues less Expenditures	\$ 614	\$ 554	\$ 472	\$ 399	\$ (788)

*Includes pass-through gas taxes from the State.

**COUNTY SALES TAX REVENUE FUND****HISTORY**

County Infrastructure Sales Tax (extra one-cent) dollars provide the 1st pledged revenues for the repayment of the Sales Tax Refunding Revenue Bonds, Series 1992, which are scheduled to be repaid by December 2002. In addition, certain capital improvements were made using an \$8 million line of credit issued in November 1994, which was satisfied in FY 2001. The revenues also serve as the 2^d pledge for the \$19 million Solid Waste Line-of-Credit.

The extra penny sales tax was approved by voters for a fifteen-year period, and is split approximately 2/3 to the County and 1/3 to the municipalities. The tax is due to lapse December 31, 2002, and is anticipated to provide approximately \$14 million to the County for implementation of the Capital Improvements Plan between October 1, 2001 and the expiration date.

OUTLOOK

For Fiscal Year 2002, capital expenditure totals are a combination of current year projects and prior year projects not yet completed. Fiscal Year 2002 shows the relationship between the lower debt service payments and the increased availability of funds for capital projects.



Courtroom 8 in the Judicial Center

PROJECT SUMMARY

Below is a list of some of the major projects funded by this revenue source:

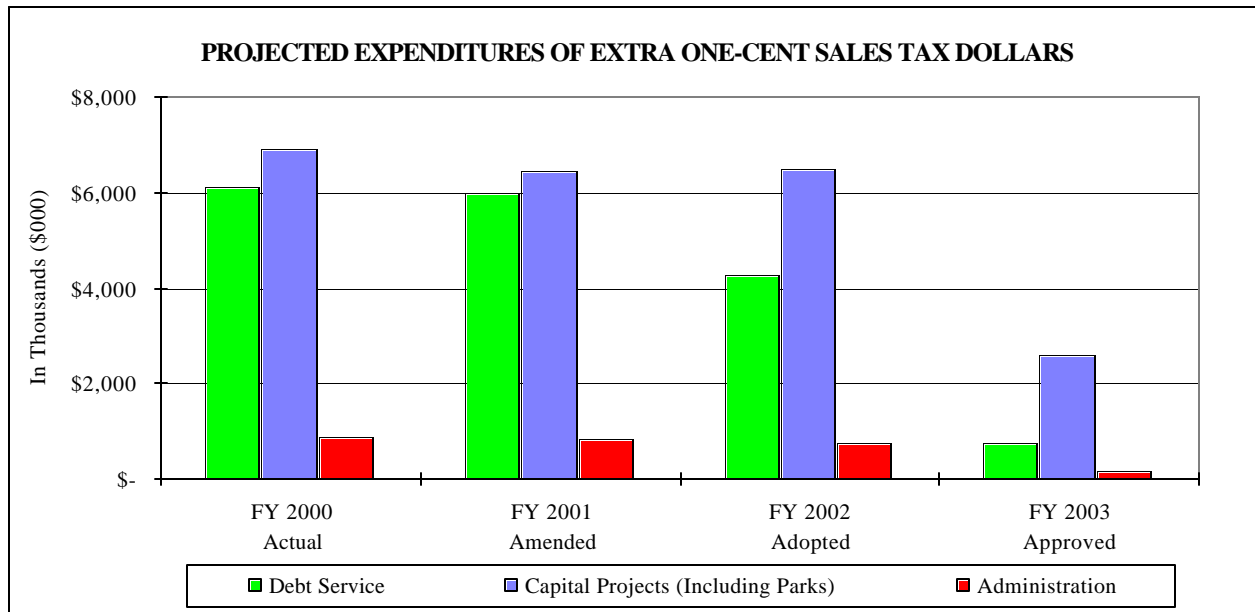
PROJECT	COST
New Judicial Center	\$ 15.1 million
New Main Jail	\$ 36.3 million
Renovate Administrative Courthouse	\$ 7.3 million
Renovate Historic Courthouse	\$ 5.1 million
Renovate Old Jail	\$ 4.5 million
Recreation Grants to Cities	\$ 2.3 million
Solid Waste Landfill Construction	\$ 1.8 million
Libraries	\$ 2.2 million
General Government Expenditures: Agricultural Center, Jail Modifications, Countywide Radio System, Courtroom Addition, Public Works Building, Sheriff Patrol Cars, Pole Barn, etc., Technology Infrastructure	\$ 10.6 million

SUBSEQUENT EVENT

Lake County collects revenue for an extra penny sales tax used for infrastructure. This revenue source sunsets December 2002. The extension for the continuation of this tax for a 15-year period was voted on and approved by the citizens of Lake County in November 2001. The only change made for the renewal is that the revenue will be split one-third each to the Lake County School Board, municipalities, and Lake County BCC. The projects listed on pages 305 - 307 in the Capital Improvement Program section of this book were approved by the Lake County BCC for the first five years of the renewal on the condition that the extension was approved by the voters of Lake County.



COUNTY SALES TAX REVENUE FUND



	Actual FY 2000	Amended FY 2001	Adopted FY 2002	Approved FY 2003	Totals
Revenues (\$000)					
Infrastructure Sales Tax	\$ 12,651	\$ 11,447	\$ 11,500	\$ 3,074	\$ 38,672
Miscellaneous Revenue	109	1	1	1	112
Less: 5% Statutory	-	(572)	(575)	(154)	(1,301)
Beginning Fund Balance	-	2,403	611	575	3,589
Total Revenues	\$ 12,760	\$ 13,279	\$ 11,537	\$ 3,496	\$ 41,072
Expenditures (\$000)					
Administration	\$ 859	\$ 833	\$ 734	\$ 154	\$ 2,580
Parks and Recreation	350	350	350	-	1,050
Debt Service:					
Sales Tax Refunding Bonds	4,310	4,299	4,290	750	13,649
Capital Impr'vmts Line-of-Credit	1,800	1,700	-	-	3,500
Capital Projects	6,580	6,097	6,163	2,592	21,432
Total Expenditures	\$ 13,899	\$ 13,279	\$ 11,537	\$ 3,496	\$ 42,211

Subsequent Event: Lake County collects revenue for an extra penny sales tax used for infrastructure. This revenue source sunsets December 2002. The FY 2002 and FY 2003 dollars shown above only represent the budgeted dollars through that time period. Since this budget was adopted, the extension for the continuation of this tax for a 15-year period was voted on and approved by the citizens of Lake County in November 2001. Therefore, the FY 2003 budget and subsequent budgets for this fund will be revised based on this continuation of the sales tax.

**SOLID WASTE MANAGEMENT FUNDS****OUTLOOK**

The Solid Waste Enterprise Funds provide for the operations and maintenance of the active landfill, closure of landfill sites, long-term care for closed landfill sites and new construction funds for future landfill sites. A "sinking fund" is maintained to provide the necessary monies for closing full landfills and building new landfill cells.

During the next fiscal year, several key decisions must be made regarding Lake County's Solid Waste System. The decisions made on the following issues will determine the future costs and services to the citizens.

CRITICAL ISSUES**Incineration**

Incineration expenses represent over 55% of the Solid Waste budget. The County is currently litigating the terms and conditions of the service agreement. A positive outcome of this litigation could mean as much as \$2 million in savings annually over the next 13 years. The issues that are under litigation include the calculation formula and certain reimbursement procedures to the operator of the incinerator. The lawsuit, while it will possibly save the County millions of dollars in the future, has cost the Enterprise Fund in excess of \$600,000 in legal fees to date.

A second incineration issue is the amount of solid waste delivered to the incinerator. A provision of the service agreement allows the County to reserve all the available tonnage. If the County elects this option, the annual savings would be in excess of \$1 million annually. The downside to this election would require the County to deliver 163,000 tons of waste every year. Current annual tonnage averages over 160,000 tons (this estimate includes some municipalities that have withdrawn their participation effective January 1, 2002).

A third incineration issue is the burden of the debt service associated with the tax-exempt bonds and the Taxable Resource Recovery Industrial Development Refunding Revenue Bonds. Beginning in 2002, refinancing the bonds is possible. This refinancing, if completed, could save the County as much as \$1 million annually in operating costs.

Line-of-Credit. In 1993, the County entered into a \$19 million bank line-of-credit agreement to finance the acquisition, construction and capital improvement of the

Solid Waste system. The Enterprise Fund still struggles under the line-of-credit repayment burden. This burden represents over 9% of the Solid Waste budget. Discussions have begun to determine optional funding sources to repay the outstanding balance, \$13,500,000. A payoff from another funding source would save the Enterprise Fund over \$1.6 million annually.

Universal Collection

During Fiscal Year 2001, staff presented some new options for solid waste management in Lake County. These options included a change to once-a-week collection, once-a-week recycling and once-a-week yard waste. This system was not implemented. However, it did result in a reduction of the different options available for payment. The change resulted in more efficient management of the solid waste recordkeeping system. Looking forward, the staff will present to the Board of County Commissioners another change that is reflective of maximizing solid waste operations and minimizing the costs through universal collection.

Operating Expenses

The Solid Waste staff has identified several areas where possible savings could be achieved through engaging outside consultants in activities County staff currently perform. Several other cost allocation efficiencies have been identified for review as well. It is anticipated that these reviews will show savings of ½ million dollars annually. It is anticipated that these efficiencies will be available in the second year of the biennial budget.

Infill Construction

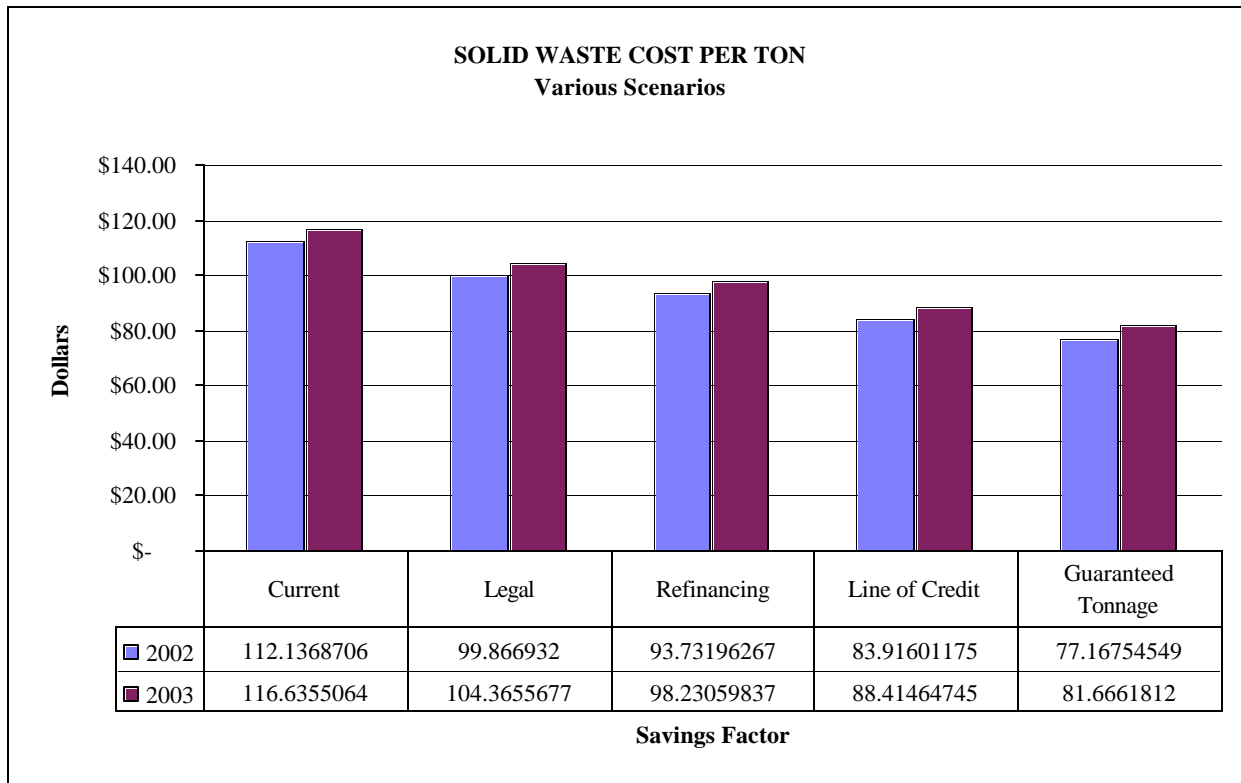
Of significant concern is the maximization of the limited physical space of landfill area. Plans during the next two years include using space between the ash monofill and the existing open landfill cell. Not only does this maximize space allocation, but also postpones the new construction of the next landfill cell. This efficiency reduces the immediate need to expend monies for new construction, and will require smaller amounts of money to be escrowed for future landfill construction.

Receivable Collections

As a result of a departmental reorganization, the Solid Waste Assessment program is now located at the Solid Waste administration building and this change will allow for a more effective receivables management program.



LANDFILL ENTERPRISE FUND



The following tables show various scenarios in operating expenses if choices are made to reduce existing costs. Each budget and cost per ton amount reflects cumulative savings from the prior scenario.

- ❖ **Legal** refers to the outcome of litigation over contract terms and conditions.
- ❖ **Refinancing** refers to refinancing, at a lower interest rate, the bonds currently owed on the incinerator.
- ❖ A \$19 million **Line of Credit** was issued in FY 93 to pay for the costs associated with landfill capital improvements; this scenario would require that payment be made from another source other than tipping fees.
- ❖ Meeting the **guaranteed tonnage** delivered to the waste-to-energy facility of 163,000 tons of waste.

	FY 2002	FY 2003
Total Solid Waste Budget - Various Scenarios		
Current Expenditures, no change	\$ 18,278,310	\$ 19,011,588
Legal: Reduce pass-through costs	\$ 16,278,310	\$ 17,011,588
Add: Refinance debt on incinerator	\$ 15,278,310	\$ 16,011,588
Add: Pay off Line-of-Credit with another source	\$ 13,678,310	\$ 14,411,588
Add: Meet guaranteed tonnage requirements	\$ 12,578,310	\$ 13,311,588
Solid Waste Cost per Ton		
Current Expenditures, no change	\$ 112.14	\$ 116.64
Legal: Reduce pass-through costs	\$ 66.87	\$ 104.37
Add: Refinance debt on incinerator	\$ 93.73	\$ 98.23
Add: Pay off Line-of-Credit with another source	\$ 83.92	\$ 88.41
Add: Meet guaranteed tonnage requirements	\$ 77.17	\$ 81.67

**FINANCIAL ACTION PLAN**

The financial health of the County for Fiscal Years 2002 and 2003 is excellent. By continuing to adhere to the following guidelines, quality programs and services can be provided with minimum fiscal impact to the taxpayer. This plan is a combination of expenditure controls, revenue augmentations, and management strategies sufficient to sustain and meet future operating and infrastructure objectives. The challenge facing County leaders is to manage stability as effectively as it has managed growth in the past.

Control Expenditures

The addition of personnel has a greater fiscal impact on a fund than any other type of budget appropriation because of the long-term ramifications. The increase in personnel for Fiscal Year 2002 over the prior year is 8.9%, primarily for firefighters. Requests for Fiscal Year 2003 are in the “enhanced” budget only, and will be recommended in the adopted budget based on identified funding sources for each area.

Modified Base Budget Plan

Departments will continue to present a “baseline” budget and an “enhanced” budget for the County Manager’s review. The County Manager then prioritizes the requests and presents the list to the Commissioners during the public workshops. New programs are added based on goals, need and funding sources available.

Limit Mid-Year Adjustments

Initiated several years ago, this plan limits the risks of attempting to circumvent the regular budget process and thus pose a risk to careful long-range financial planning.

Debt Management Plan

Although the County’s posture recently has been a pay-as-you-go philosophy, a Debt Policy should be adopted to formalize the guidelines. This is scheduled to take place during Fiscal Year 2002.

Operating Budget

The ongoing operating budget should continue to be funded by current year revenues; any emergencies or one-time expenditures are spent from contingencies.

Financial Policies and Reserves

Continued adherence to our operating budget, capital expenditure

and investment policies, while maintaining ample fund balances and reserves, is the best strategy the County has to ensure its sound fiscal position.

Economic Development

The County leaders are making plans to continue improving our economic development efforts. The results will be increased total property valuation, commercial growth, and job growth within the County.

Review Benefits Program

With the cost of benefits representing a significant expense to the County, the Employee Benefits Team, under the guidance of the Risk Manager, annually explores benefits options.

Revenue Analysis and Planning

County leaders annually review fees to ensure full cost recovery for services. Charges for services were modified for Fiscal Years 2001 and 2002 to ensure the charges were sufficient to cover the services rendered.

Outsourcing or Privatization

Departments, and special “teams” designated by the County Manager, are continuously reviewing internal processes to determine the feasibility of privatizing services.

Sewage Capacity

Careful financial planning will be required to address the increasing costs associated with solid waste treatment. One issue is whether or not to continue incinerating the garbage at the current 130,000 ton capacity and continue the recycling program, or to request a change in the contract with the Covanta Company to increase the capacity to 163,000 tons. Commissioners are aggressively pursuing options, and a decision will be forthcoming during the next fiscal year.